

HOUSE BILL NO. 122

INTRODUCED BY FORRESTER

BY REQUEST OF THE DEPARTMENT OF JUSTICE

A BILL FOR AN ACT ENTITLED: "AN ACT REVISING THE VIDEO GAMBLING MACHINE LAWS TO TAKE INTO ACCOUNT CONNECTION OF MACHINES TO THE AUTOMATED ACCOUNTING AND REPORTING SYSTEM; PROVIDING FOR DEPARTMENT OF JUSTICE TRAINING OF TECHNICIANS WORKING ON OR INSTALLING THE MACHINES; ~~AND~~ AMENDING SECTIONS 23-5-602, 23-5-610, 23-5-611, 23-5-621, AND 23-5-637, MCA; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

Section 1. Section 23-5-602, MCA, is amended to read:

"23-5-602. Definitions. As used in this part, the following definitions apply:

(1) "Associated equipment" means all proprietary devices, machines, or parts used in the manufacture or maintenance of a video gambling machine, including but not limited to integrated circuit chips, printed wired assembly, printed wired boards, printing mechanisms, video display monitors, metering devices, and cabinetry.

(2) "Available connection date" means the date on which the department begins to accept applications for connection of machines to the automated accounting and reporting system.

~~(2)(3)~~ (a) "Bingo machine" means an electronic video gambling machine that, upon insertion of cash, is available to play bingo as defined by rules of the department. The machine uses a video display and microprocessors in which, by the skill of the player, by chance, or by both, the player may receive free games or credits that may be redeemed for cash.

(b) The term does not include a slot machine or a machine that directly dispenses coins, cash, tokens, or anything else of value.

~~(3)(4)~~ (a) "Draw poker machine" means an electronic video gambling machine that, upon insertion of cash, is available to play or simulate the play of the game of draw poker as defined by rules of the department. The machine uses a video display and microprocessors in which, by the skill of the player, by chance, or by both, the player may receive free games or credits that may be redeemed for cash.

(b) The term does not include a slot machine or a machine that directly dispenses coins, cash, tokens,

1 or anything else of value.

2 ~~(4)(5)~~ "Gross income" means money put into a video gambling machine minus credits paid out in cash.

3 ~~(5)(6)~~ (a) "Keno machine" means an electronic video gambling machine that, upon insertion of cash,
4 is available to play keno as defined by rules of the department. The machine uses a video display and
5 microprocessors in which, by the skill of the player, by chance, or by both, the player may receive free games
6 or credits that may be redeemed for cash.

7 (b) The term does not include a slot machine or a machine that directly dispenses coins, cash, tokens,
8 or anything else of value.

9 ~~(6)(7)~~ "Licensed machine owner" means a licensed operator or route operator who owns a video
10 gambling machine for which a permit has been issued by the department.

11 ~~(7)(8)~~ "Permitholder" means a licensed operator on whose premises is located one or more video
12 gambling machines for which a permit has been issued by the department."

13

14 **Section 2.** Section 23-5-610, MCA, is amended to read:

15 **"23-5-610. (Temporary) Video gambling machine gross income tax -- credit -- records --**
16 **distribution -- quarterly statement and payment.** (1) A licensed machine owner shall pay to the department
17 a video gambling machine tax of 15% of the gross income from each video gambling machine issued a permit
18 under this part. A licensed machine owner may deduct from the gross income amounts equal to amounts stolen
19 from machines if the amounts stolen are not repaid by insurance or under a court order, if a law enforcement
20 agency investigated the theft, and if the theft is the result of either unauthorized entry and physical removal of
21 the money from the machines or of machine tampering and the amounts stolen are documented.

22 (2) (a) A licensed machine owner is entitled to a tax credit for each video gambling machine for which
23 a permit has been issued under this part if:

24 (i) the permit was active for the video gambling machine ~~during the 12-month period ending December~~
25 ~~31, 2004~~ prior to the available connection date;

26 (ii) the department determines that the video gambling machine is incapable, in the form in which it was
27 approved by the department, of communicating with the automated accounting and reporting system authorized
28 by 23-5-637; and

29 (iii) the licensed machine owner participates in the automated accounting and reporting system and
30 incurs actual hardware or software costs prior to January 1, 2005, for conversion of the video gambling machine

1 to make it compatible with the automated system.

2 (b) The amount of the tax credit allowed under subsection (2)(a) is \$250 for each video gambling
3 machine or the actual hardware and software cost necessary for conversion of the video gambling machine to
4 the automated accounting and reporting system, whichever is less.

5 (3) If a tax credit is claimed under subsection (2)(a), the credit is deducted from the tax due for the
6 quarter or quarters that begin after the video gambling machine for which the tax credit is claimed is connected
7 to the automated accounting and reporting system authorized by 23-5-637.

8 (4) A licensed machine owner shall keep a record of the gross income from each video gambling
9 machine issued a permit under this part in the form the department requires. The records must at all times during
10 the business hours of the licensee be subject to inspection by the department.

11 (5) (a) For each video gambling machine issued a permit under this part but not connected to the
12 department's automated accounting and reporting system, a licensed machine owner shall, within 15 days after
13 the end of each quarter and in the manner prescribed by the department, complete and deliver to the department
14 a statement showing the total gross income, together with the total amount due the state as video gambling
15 machine gross income tax for the preceding quarter. The statement must contain other relevant information that
16 the department requires.

17 (b) For each video gambling machine issued a permit under this part that is connected to the
18 department's automated accounting and reporting system, the department shall, within 5 working days after the
19 end of each quarter, complete and deliver to the licensed machine owner (with a copy sent to the licensed
20 operator, if different from the licensed machine owner, on whose premises the machine is placed) a statement
21 showing the total gross income from the video gambling machine, together with the total amount due the state
22 as video gambling machine gross income tax for the preceding quarter. The licensed machine owner shall remit
23 the total amount due the state under this subsection within 25 days after the end of each quarter.

24 (6) Except as provided in subsection (7), the department shall, in accordance with the provisions of
25 15-1-501, forward the tax collected under subsection (5) to the general fund.

26 (7) Receipts from the taxes collected under this section are pledged and dedicated to guarantee
27 repayment of loans participated in under 23-5-638 in an amount sufficient to meet the prepayment obligation
28 for the fiscal year during which the loans are made. The amount of taxes pledged by this subsection is the dollar
29 amount of loan participation under 23-5-638 and must be allocated to a separate account in the short-term
30 investment pool. The board of investments is not entitled to use the proceeds from taxes collected under this

1 section to repay a loan made under 23-5-638 unless the board certifies that all other commercially available
2 means of collection on the loan have been exhausted. (Terminates December 31, 2005--sec. 10, Ch. 424, L.
3 1999.)

4 **23-5-610. (Effective January 1, 2006) Video gambling machine gross income tax -- credit --**
5 **records -- distribution -- quarterly statement and payment.** (1) A licensed machine owner shall pay to the
6 department a video gambling machine tax of 15% of the gross income from each video gambling machine
7 issued a permit under this part. A licensed machine owner may deduct from the gross income amounts equal
8 to amounts stolen from machines if the amounts stolen are not repaid by insurance or under a court order, if a
9 law enforcement agency investigated the theft, and if the theft is the result of either unauthorized entry and
10 physical removal of the money from the machines or of machine tampering and the amounts stolen are
11 documented.

12 (2) (a) A licensed machine owner is entitled to a tax credit for each video gambling machine for which
13 a permit has been issued under this part if:

14 (i) the permit was active for the video gambling machine ~~during the 12-month period ending December~~
15 ~~31, 2004~~ prior to the available connection date;

16 (ii) the department determines that the video gambling machine is incapable, in the form in which it was
17 approved by the department, of communicating with the automated accounting and reporting system authorized
18 by 23-5-637; and

19 (iii) the licensed machine owner participates in the automated accounting and reporting system and
20 incurs actual hardware or software costs prior to January 1, 2005, for conversion of the video gambling machine
21 to make it compatible with the automated system.

22 (b) The amount of the tax credit allowed under subsection (2)(a) is \$250 for each video gambling
23 machine or the actual hardware and software cost necessary for conversion of the video gambling machine to
24 the automated accounting and reporting system, whichever is less.

25 (3) If a tax credit is claimed under subsection (2)(a), the credit is deducted from the tax due for the
26 quarter or quarters that begin after the video gambling machine for which the tax credit is claimed is connected
27 to the automated accounting and reporting system authorized by 23-5-637.

28 (4) A licensed machine owner shall keep a record of the gross income from each video gambling
29 machine issued a permit under this part in the form the department requires. The records must at all times during
30 the business hours of the licensee be subject to inspection by the department.

1 (5) (a) For each video gambling machine issued a permit under this part but not connected to the
2 department's automated accounting and reporting system, a licensed machine owner shall, within 15 days after
3 the end of each quarter and in the manner prescribed by the department, complete and deliver to the department
4 a statement showing the total gross income, together with the total amount due the state as video gambling
5 machine gross income tax for the preceding quarter. The statement must contain other relevant information that
6 the department requires.

7 (b) For each video gambling machine issued a permit under this part that is connected to the
8 department's automated accounting and reporting system, the department shall, within 5 working days after the
9 end of each quarter, complete and deliver to the licensed machine owner (with a copy sent to the licensed
10 operator, if different from the licensed machine owner, on whose premises the machine is placed) a statement
11 showing the total gross income from the video gambling machine, together with the total amount due the state
12 as video gambling machine gross income tax for the preceding quarter. The licensed machine owner shall remit
13 the total amount due the state under this subsection within 25 days after the end of each quarter.

14 (6) The department shall, in accordance with the provisions of 15-1-501, forward the tax collected under
15 subsection (5) to the general fund."
16

17 **Section 3.** Section 23-5-611, MCA, is amended to read:

18 **"23-5-611. Machine permit qualifications -- limitations.** (1) (a) A person who has been granted an
19 operator's license under 23-5-177 and who holds an appropriate license to sell alcoholic beverages for
20 consumption on the premises as provided in 23-5-119 may be granted a permit for the placement of video
21 gambling machines on the person's premises.

22 (b) If video keno or bingo gambling machines were legally operated on a premises on January 15, 1989,
23 and the premises were not on that date licensed to sell alcoholic beverages for consumption on the premises
24 or operated for the principal purpose of gaming and there is an operator's license for the premises under
25 23-5-177, a permit for the same number of video keno, ~~or~~ bingo, or combination poker-keno-bingo gambling
26 machines as were operated on the premises on that date may be granted to the person who held the permit for
27 such machines on those premises on that date.

28 (c) A person who legally operated an establishment on January 15, 1989, for the principal purpose of
29 gaming and has been granted an operator's license under 23-5-177 may be granted a permit for the placement
30 of bingo and keno machines on the person's premises.

1 (2) An applicant for a permit shall disclose on the application form to the department any information
2 required by the department consistent with the provisions of 23-5-176.

3 (3) A licensee may not have on the premises or make available for play on the premises more than 20
4 machines of any combination."
5

6 **Section 4.** Section 23-5-621, MCA, is amended to read:

7 **"23-5-621. Rules.** (1) The department shall adopt rules that:

8 (a) implement 23-5-637;

9 (b) describe the video gambling machines authorized by this part and state the specifications for video
10 gambling machines authorized by this part;

11 (c) allow video gambling machines to be imported into this state and used for the purposes of trade
12 shows, exhibitions, and similar activities;

13 (d) allow each video gambling machine ~~connected~~ approved for connection to the department's
14 automated accounting and reporting system to offer any combination of approved poker, keno, and bingo games
15 within the same video gambling machine cabinet if:

16 (i) after October 1, 2002, the owner of the video gambling machine has received approval of an
17 application for connection of the machine to the automated accounting and reporting system or has entered into
18 an agreement with the department for connection of the machine to the system; or

19 (ii) after October 1, 2003, the owner of the video gambling machine has received approval of an
20 application for connection of the machine to the automated accounting and reporting system or has entered into
21 an agreement with the department for connection of the machine to the system, but the system is unavailable
22 for connection;

23 (e) allow, on an individual license basis, licensed machine owners and operators of machines
24 connected to the department's automated accounting and reporting system to:

25 (i) electronically acquire and use for an individual licensed premises the information and data collected
26 by the department for business management, accounting, and payroll purposes; however, the rules must specify
27 that the data made available as a result of the department's automated accounting and reporting system may
28 not be used by licensees for player tracking purposes; and

29 (ii) acquire and use, at the expense of a licensee, a department-approved site controller;

30 (f) provide that, for video gambling machines connected to the department's automated accounting and

1 reporting system, machine paper audit and accounting rolls need not be retained for more than 4 consecutive
2 quarters; and

3 (g) minimize, whenever possible, the recordkeeping and retention requirements for video gambling
4 machines that are connected to the department's automated accounting and reporting system.

5 (2) The department's rules for an automated accounting and reporting system must, at a minimum:

6 (a) provide for confidentiality of information received through the automated accounting and reporting
7 system within the limits prescribed by 23-5-115(6) and 23-5-116;

8 (b) prescribe specifications for maintaining the security and integrity of the automated accounting and
9 reporting system;

10 (c) limit and prescribe the circumstances for electronic issuance of video gambling machine permits and
11 electronic transfer of funds for payment of taxes, fees, or penalties to the department based on the requirement
12 that electronic permitting and transfer of funds may be done only when the department has a request in writing
13 from the owner of the electronic funds transfer account; ~~and~~

14 (d) limit and prescribe the circumstances under which machines may be disabled for malfunctions or
15 violations detected by use of the automated accounting and reporting system or for other violations of this
16 chapter. Under no circumstances may machines connected to the automated system be disabled for violations
17 except upon clear and convincing evidence supporting a determination made after notice and an opportunity
18 for hearing and with the right of judicial review under the Montana Administrative Procedure Act.

19 (e) provide for training by the department of technicians who install, maintain, and repair video gambling
20 machines and components connected to the automated accounting and reporting system and for a department
21 list of technicians who have completed department training."

22

23 **Section 5.** Section 23-5-637, MCA, is amended to read:

24 **"23-5-637. Automated accounting and reporting system.** (1) For the purposes of performing its
25 duties under this chapter, minimizing regulatory costs, simplifying the reporting of video gambling machine
26 revenue data, preserving the integrity of video gambling machines within its jurisdiction, lessening administrative
27 and recordkeeping burdens for licensed machine owners and licensed operators and the department, and
28 enhancing the management tools available to the industry and the state, the department may operate and
29 maintain, subject to the restrictions contained in subsections (3) and (4), an automated accounting and reporting
30 system for video gambling machines.

1 (2) Except as provided in subsection (4), connection of video gambling machines to the department's
2 automated accounting and reporting system is voluntary for licensed machine owners and licensed operators
3 who hold a valid current license ~~on December 31, 2000~~ prior to the available connection date.

4 (3) (a) The department shall issue a request for proposals for the automated accounting and reporting
5 system ~~on or before September 1, 1999~~. The department may not sign a final contract for the purpose of
6 acquiring an automated system unless it has obtained written confirmation from licensed machine owners who
7 volunteer to participate in the automated system and whose commitment to participate covers 70% of the total
8 number of video gambling machines that are capable of being connected to the automated system.

9 (b) The 70% calculation must be based on video gambling machines that had permits on July 15, ~~1999~~,
10 prior to the contract date and on an analysis by the department of the feasibility of upgrading specific video
11 gambling machine models based on the age of the video gambling machines, technologies employed, numbers
12 of video gambling machines in a model series, and existence or nonexistence of a licensed manufacturer to
13 support upgraded conversions.

14 (c) A request for proposals for the system must require that the proposal:

15 (i) provide that communication protocols between connected video gambling machines and the central
16 system and between connected video gambling machines and on-premises site controllers do not favor any one
17 central system vendor or component manufacturer; and

18 (ii) provide for computer backup and contingency planning to ensure that there will be no video gambling
19 machine operation interruptions because of central system failures.

20 (4) After ~~December 31, 2000~~ the available connection date:

21 (a) a permit may not be issued for a video gambling machine manufactured after ~~December 31, 2000~~,
22 the available connection date that is not manufactured in a manner specifically designed to allow the video
23 gambling machine to be connected to the department's automated accounting and reporting system;

24 (b) if a permitholder voluntarily connects one or more video gambling machines at a premises to the
25 department's automated accounting and reporting system, all connected video gambling machines on the
26 premises, including video gambling machines replacing connected video gambling machines, must remain
27 connected to the automated system as long as video gambling machines are operated on the premises; and

28 (c) if there is a change in the majority ownership interests of a licensed gambling business, all video
29 gambling machines located on the premises must be connected to the department's automated accounting and
30 reporting system within 5 years after the date on which the majority ownership change is approved by the

1 department, unless there are five or fewer video gambling machines on the premises and:
2 (i) they are owned by the licensed operator; or
3 (ii) the premises are located in a city, town, or county with a population of 3,000 or less, according to the
4 last official decennial census."

5

6 NEW SECTION. SECTION 6. EFFECTIVE DATE. [THIS ACT] IS EFFECTIVE ON PASSAGE AND APPROVAL.

7

- END -